

## **BP pay opposition was over four times greater than average**

- 1.1. BP must demonstrate that it is responding to clear shareholder concerns after its remuneration report attracted more than four times the average level of investor opposition, the Local Authority Pension Fund Forum (LAPFF) has stated.
- 1.2. Initial figures suggest that more than 17% of BP's shareholders voted against its remuneration report. The average vote against the remuneration reports of FTSE 350 companies during 2006 was 4%<sup>1</sup>. And BP itself saw only 4% of votes cast against its remuneration report in 2006. LAPFF estimates that yesterday's vote will easily put BP's remuneration report within the top 10% of FTSE 350 companies in terms of opposition levels against remuneration reports during 2007. If abstentions are included then more than one in five shareholders failed to back BP's remuneration policy.
- 1.3. LAPFF chairman Cllr Darrell Pulk said: "BP has achieved the dubious honour of top decile performance in terms of shareholder opposition to its pay practices. This is a clear message from the company's owners that changes need to be made. The board should not underestimate this signal. But this vote is also an opportunity for a fresh start. BP should show real leadership by responding to concerns both about the general structure of its remuneration arrangements, and the linkage to effective management of safety issues."
- 1.4. The £70bn Local Authority Pension Fund Forum, which recommended that its members vote against the company's remuneration report, believes that BP's long-term incentive scheme should contain safety-related and other extra-financial performance elements. In addition the Forum believes extra-financial performance metrics should apply to all executive directors, not only the outgoing CEO. In particular they should apply to the CEO designate, Tony Hayward, who is set to take over from Lord Browne in July 2007.
- 1.5. The Forum further views the inclusion of BP's outgoing CEO, Lord Browne, into the company's long-term incentive arrangements as an inappropriate use of this scheme which should be designed to focus

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<sup>1</sup> PIRC Proxy Voting Annual Review 2006

executive directors on the company's long-term prosperity when running the business, rather than compensating Lord Browne for his early departure.

- 1.6. LAPFF will be continuing to press for reforms to BP's remuneration practices in the wake of the AGM vote.
- 1.7. The Forum has been engaging with BP for six months over the company's response to recent safety failures, including the Texas City Refinery blast in March 2005 and the Prudhoe Bay spill in July 2006. The company has been criticised for its management of safety issues in reports by former US Secretary of State James Baker and, more recently, the Chemical Safety and Hazard Investigation Board (CSB).

#### About LAPFF:

The Local Authority Pension Fund Forum (LAPFF), which was set up in 1991, is a voluntary association of 39 public sector pension funds based in the UK. It exists 'to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.' The Forum's members currently have combined assets of over £70 billion.

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